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For Immediate Release

December 11, 2007

WEST CHESTER MAN CHARGED WITH DEFRAUDING FOUR SCHOOL DISTRICTS

HARRISBURG - U.S. Attorney Pat Meehan today announced the filing of an indictment¹ against Robert Bradbury, of West Chester, charging him with defrauding four Pennsylvania school districts by selling them high-risk securities. Those securities - bond anticipation notes for a golf course project - were unlawful and inappropriate investments for the districts. Bradbury concealed from the school districts the true nature of and risks associated with the investments. The four school districts - Boyertown, located in Berks County, Pennsylvania; Red Lion, located in York County, Pennsylvania; Perkiomen Valley, located in Montgomery County, Pennsylvania; and North Penn, located in Montgomery County, Pennsylvania - collectively lost approximately \$10.5 million as a result of the fraud.

Bradbury was the chairman, chief operating officer, and a principal shareholder of Dolphin & Bradbury, Inc., ("D&B"), located at 1617 JFK Boulevard in Philadelphia, Pennsylvania. Bradbury, through D&B, specialized in underwriting municipal bonds and selling them to investors. Bradbury also provided investment banking services and investment advice to municipalities and school districts.

"This is a long and complicated story but the bottom line is that these school districts lost real money – money that could have been used to build new schools and to renovate existing buildings," said Meehan. "Ultimately, it's money that comes out of the taxpayers' pockets."

The indictment alleges that from at least 1998 through September 2004, Bradbury acted as an underwriter for Boyertown, Red Lion, Perkiomen Valley and North Penn school districts. Bradbury invested proceeds of bond issues for capital projects. The school districts authorized Bradbury to make all investment decisions, and relied on him and trusted him to invest the funds in safe and suitable investments in accordance with Pennsylvania law. The school districts did not require Bradbury to seek approval or even contact school district personnel regarding an investment prior to the purchase or sale of a particular investment, and did not directly notify the school districts after a transaction. Instead, the school districts learned of the investment of such

¹An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

funds after the fact when they received a confirmation generated and sent by a third-party clearing house used by D&B.

School district investments are limited under Pennsylvania law, and specifically by the School Code, to certain conservative categories of investments. School districts may only own municipal securities of this nature if they are backed by the full faith and credit, that is, the taxing authority, of the state, or by a political subdivision or agency.

From March 1999 through August 2004, Bradbury underwrote and sold to the school districts bond anticipation notes for the Whitetail golf course project, a speculative golf course project located in Franklin County, Pennsylvania. Bond anticipation notes are intended to provide interim financing with the expectation that they will be replaced by permanent financing in the form of long-term municipal bonds. The notes were issued by two separate municipal authorities: the Dauphin County General Authority (“DCGA”) and the Hummelstown General Authority (“HGA”).

In 1998 and 1999, DCGA issued bond anticipation notes totaling \$7.5 million to purchase the land and finance the construction of the Whitetail golf course project. The DCGA notes were unrated and secured solely by a pledge of proceeds resulting from the anticipated sale of long-term bonds, and were not secured by the full faith and credit of Dauphin County or any other political subdivision or agency, and thus were not lawful investments under the School code and Pennsylvania law. Bradbury sold the majority of these notes to Boyertown and Red Lion school districts, but did not disclose to the districts the nature of or risks associated with the investment. The remainder of the notes were sold to the First Financial Bank (“FFB”), a small bank in Downingtown, Pennsylvania. At that time, Bradbury was on the board of directors FFB, was one of its shareholders, and had the authority over certain portions of the bank’s investment portfolio.

In December 1999, HGA purchased the partially-completed Whitetail golf course from the DCGA, and issued \$8.5 million in bond anticipation notes, which matured on August 30, 2001, to finance the acquisition of the Whitetail golf course and to fund additional construction costs. These notes were unrated and secured solely by a pledge of proceeds resulting from the anticipated sale of long-term bonds, and were not secured by the full faith and credit of Hummelstown Borough or any other political entity. Bradbury sold these notes to Boyertown, Red Lion, and the FFB. Bradbury did not provide to the districts any information regarding the investment or the risks associated with it. In fact, he certified that the school district purchasers had the knowledge and experience to evaluate the risks of the investment, which allowed him to avoid the disclosure requirements that would ordinarily apply in this situation.

In 2000 and again in 2001, the HGA attempted to sell long-term bonds, which Bradbury marketed to the type of institutional investors that ordinarily would invest in a high-risk, high-yield investment of this sort. These efforts failed. The detailed preliminary official statements prepared in connection with these offerings highlighted the numerous risk associated with the

bonds, which were the same risks associated with the notes. The school districts never received copies of these statements, or any other similar disclosure document, and Bradbury never informed them about the failed bond offerings.

In September 2001, after the bond failures, HGA issued \$14.15 million in notes to replace the earlier notes which matured on August 31, 2001, and to cover additional expenses associated with the operation of the golf course and the debt service on the notes. These notes had a maturity date of September 1, 2004. These notes were also unrated and secured solely by a pledge of proceeds from the operation of the golf course, and were not secured by the full faith and credit of any political entity. Bradbury sold these notes to Boyertown, Red Lion and North Penn school districts, and sold a small percentage of the notes to FFB. By the end of 2001, all \$14 million of the notes were held by the school districts, as Bradbury sold to the districts those notes held by the Bank, in response to the Bank's directive to sell all securities of this nature. Indeed, Bradbury sold these notes to Perkiomen Valley and North Penn just hours before he was to meet with bank examiners about some of the securities held by the bank.

Bradbury failed to provide any information to the school districts about the 2001 HGA Whitetail notes, and concealed from the school districts the true nature of and risks associated with the investment in the notes. He again invoked the limited placement exemption which allowed him to avoid having to comply with the disclosure requirements.

Bradbury continued to deceive the school districts about the nature and risks of the investment. He did not tell them that the golf course did not perform well in 2001 and 2002, and that the decision was made to terminate the golf course managers. In fact, in connection with the termination, he falsely represented that he owned 25% of the notes and thus could authorize the termination of the managers. This prevented the school districts, and everyone else associated with the project, from finding out who held the notes. He also signed numerous requisition requests, ostensibly acting on behalf of the note holders, but never asked the school districts for permission to do so, and never told them that he did so.

By 2003, the golf course was not performing well enough to cover its interest payments due in August 2004 and March 2004. Bradbury lent HGA \$850,000 to cover these costs, again concealing the situation from the school districts.

In 2004, knowing full well that the project was not viable and that the notes were in danger of default, Bradbury repurchased notes from North Penn and Perkiomen Valley school districts in order to satisfy liquidation requests, promptly resold the notes to Boyertown and Red Lion school districts, and failed to inform Boyertown and Red Lion of the risks associated with the purchase of the notes, including the likelihood of a default.

The HGA defaulted on the Whitetail notes when the notes matured on September 1, 2004. At the time of the default, Boyertown owned approximately \$9.75 million in Whitetail notes, Red

Lion owned approximately \$2.7 million in Whitetail notes, Perkiomen Valley owned approximately \$925,000 in Whitetail notes, and North Penn owned approximately \$665,000 in Whitetail notes. The HGA subsequently sold the Whitetail golf course for a gross sales price of \$3.75 million, which funds were paid to the school districts. The school districts suffered a total loss of approximately \$10.5 million.

INFORMATION REGARDING THE DEFENDANT

NAME	ADDRESS	AGE
Robert Bradbury	West Chester, Pennsylvania	61

If convicted, the defendant faces the a maximum possible sentence of 160 years imprisonment, a \$2 million fine, and a special assessment of \$800.

The case was investigated by the Federal Bureau of Investigation, and has been assigned to Assistant United States Attorney Bernadette McKeon. The U.S. Attorney's office also acknowledges assistance from the SEC.

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